

RELATIONSHIP ATTITUDE OF HUNGARIAN COMPANIES

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CONCLUSIONS

Companies carrying out their business activities are looking for the key to long term success under constantly changing circumstances and economic conditions. In order to achieve company goals and in order to satisfy the needs of customers, companies are striving for establishing tight and long term relationship with their business partners and further interested parties nowadays . Companies exploring the sources of sustainable competitive advantage recognize that the effectiveness of the traditional marketing approach is decreasing, so there is a need to develop and apply a new and a more efficient marketing concept under these changed circumstances. The results of the survey conducted among Hungarian companies show that relationships play a more and more important role in the Hungarian business environment. In accordance with the suggestions and results of the international literature retaining existing customers is the most important aim of the marketing activity among the participating companies, but unfortunately the answers most frequently said that the organization's marketing planning is still focused on issues relating to the product offered by the company. Our results show that Hungarian companies are facing changes in the focus of the marketing activities. According to the literature only a small portion of the companies are using CRM systems successfully. The successful implementation of a CRM system requires several changes in the organization. One of the most important tasks is to change the orientation of the companies' marketing activities. Instead of focusing on the product or a single transaction, companies should master the customer focused operation. The implementation of the technology can only be successful after these cultural changes are made. Changes in the practice of marketing are mainly based on the examination and adaptation the theoretical aspects of relationship marketing and relationship management. These provide an opportunity for the academic sphere and for practitioners to get to know and further develop new theoretical accomplishments and the latest best practice solutions. However, it still remains a question, that the technology development is driving the changes in the business orientation or inversely, the changes in business orientation are forcing the industry to provide new technology.

ABSTRACT

During their activities, business players establish short or long-term, tight or loose relationships, co-operation with

each other and with their customers for the sake of achieving organizational objectives and to provide customer satisfaction. Today, enterprises exploring a sustainable edge in the field of competi-

tion find it more and more important to have strong relationships with their key customers, suppliers, different partners and other stakeholders as the establishment and maintenance of long-term, strong relationships can have a serious role in finding a favorable position in amongst the competition (*Hunt – Morgan, 1999; Gummesson, 2002*). This tendency is based on theories of relationship marketing and management, which are being examined in a widening circle. A frequently mentioned fact is that the extremely fast development of information and communication technology helps the spreading and increases the acceptance and popularity of relationship marketing and management (*Hennig Thureau – Hansen, 2000; Zablah – Bellenger – Johnston, 2004*). However, little research has been made in the field as to the effect of these technologies on the relationship concept. This paper is directed towards this rarely examined aspect.

INTRODUCTION

The supplier and the buyer organizations using relationship marketing have recognized that they can produce higher value by cooperation than by separate transactions. The participants of services and business markets (business-to-business, B2B) have already realized the significance of cooperation, but they can not always carry it out successfully (mostly because of personal characteristics, or bureaucratic or legal regulation). In the last decades, the role of the relationship has become more significant in consumer markets, which resulted in speeding up the research and development of modern management techniques. Accordingly, by the process of value creation more participants cooperate, which can also mean that the value creation takes place in the network of the stake-

holder relationships, so the participants creating a network compete for the customers' favor. So, the principles of the marketing activities rather mean establishing and maintaining a relationship with the customers and the stakeholders, than acting upon single transactions (*Stone – Woodcock – Wilson, 1996; Grönroos, 1999; Gummesson, 2002; Veres, 1998; Hetesi – Révész, 2004*). In the last 3 decades, the relationship aspect of marketing has been one of the most popular topics of marketing research. Several researchers speak about a paradigm shift, stating that the traditional marketing mix is not appropriate to describe the marketing activities of the companies any more. Activities maintaining long-term relationships have become the focus of marketing actions (*Coviello – Brodie – Munro, 1997; Pels – Brodie – Johnston, 2004*). *Berry (2002)* was the first to use the term „relationship marketing” to define this new marketing paradigm in 1983. Due to the popularity of relationship marketing, it has many different interpretations. It has even become a „buzzword” in the last decades, which makes it more difficult to use. As a result of this highly diversified interpretation – without the authors' comments – it is almost impossible to identify which meaning of relationship marketing is used in the given study (tactical, strategic, individual, organizational, or it is discussed at networking level). Sometimes the relationship marketing term is used as a synonym for direct marketing or database marketing or just for customer clubs, or it is sometimes used as one of the marketing actions during a transaction. It can also happen that relationship marketing is mentioned as a synonym for partner programs, cooperation or networks (*Grönroos, 1999*). This paper describes relationship marketing as a broad category. It means all the marketing solutions and theories that can be found in the literature

dealing with the development of long-term relationship with the customer. Relationship marketing focuses on the way that the already existing clientele should be retained, instead of focusing on gaining new clients (which was a determining factor earlier) since it costs five or six times more to gain a new client than to keep an existing one (*Gruen, 1997*). Nevertheless, this does not mean that the enterprises don't want any new clients, it just means there is a need to rearrange their resources. Relationship marketing and the customer relationship management does not mean that we have to pay the same attention to each customer, but that we have to identify the activities aiming at maintaining the relationship and their intensity based on the individual customer's lifetime value. Accordingly, the basis of the relationships established with the most important customers, suppliers and the various partners becomes increasingly the long term value of the given relationship and the extent of the profit expected during the whole period of the customer relationship.

MANAGING CUSTOMER RELATIONSHIPS

After realizing the significance of relationships, the number of approaches emphasizing the importance of customer relationship management has been rising in both the academic and the business sectors. A great variety of definitions has been formed by numerous experts (*Allen – Kania – Yaeckel, 2001; Parvatiyar – Sheth, 2001; Ryals – Knox, 2001; Tinsley, 2002; Zablah – Bellenger – Johnston, 2004*). Many of them think that customer relationship management means identifying, acquiring and keeping customers. Others say it is a method serving the automation of front office functions of marketing, distribution and customer services. According to our ex-

periences, it is best to define this concept with the blend of these two definitions. CRM is a comprehensive strategy integrating human resources, information processes and the applied technology so that enterprises can maximize the value of their customer relationships. Thus, CRM is a technology-based business strategy that enables companies to establish profitable relationships based on their knowledge of their customers, at the same time, providing them with optimal value (*Allen – Kania – Yaeckel, 2001*). Those companies that have introduced customer relationship management successfully pay more attention to gathering, classifying, managing and then making use of information on clients in their (marketing, sales and customer care) decision making processes. Administrative functions that are automated in this manner guarantee a reduction of costs and enhance the efficiency of a company's internal processes as well as the growth of the customer satisfaction. Besides making the performance of management functions more efficient, customer relationship management can also help to reinforce consumer satisfaction, trust and loyalty based on detailed and integrated customer information and through customization or other services tailored to micro-segments. This can be a stimulus for long-term growth in proceeds of sale. CRM tries to build up steady and long-term relationships in order to serve and keep customers, while collecting information and setting up one or more suitable databases, which are then used to fulfill the needs and to determine the value of customers (complying with ethical and legal regulations, of course). The majority of the companies taking the traditional approach of a customer-oriented way of thinking do not distinguish between customers: they treat every buyer identically. They do this in

spite of the fact that a number of generally known and recognized researches and rules of thumb (eg the 80:20 rule) have already pointed out that in most sectors (but especially on B2B markets) only a smaller fraction of customers account for the largest share of revenues. Therefore, it is very important for a company to segment its customers according to their value and then deal with and serve them accordingly (key account management) (*Peppers – Rogers, 2004*). The information and communication technology – sometimes following, sometimes even overtaking the changes of the economic sphere – was and still is one of the most important catalysts of the developing and spreading of the most recent management and marketing solutions. The different fields of relationship marketing and relationship management have also the development of technology – especially in the fields of e-business and e-commerce – to thank their popularity and spreading for (*Hennig Thureau – Hansen, 2001; Zablah – Bellenger – Johnston, 2004; Ehret, 2004*). Nowadays, the popularity of marketing as well as management applications (databases and data warehouses, data mining, business intelligence solutions and one-to-one marketing) based on IT solutions helping companies to boost the value of their customers and the amount of profits that they generate has been growing continuously. Most developers even go as far as claiming that without such solutions, sales, marketing and even customer services are useless.

RELATIONSHIP ORIENTATION AS A BASIC CONDITION OF THE SUCCESSFUL CRM ADOPTION

The key success factor of the marketing conception and of the CRM technology, among others, is the development of the companies' relationship culture. Ac-

cording to the different findings of the literature CRM programs fail to reach their aims in 35-75% of the cases (*Zablah – Bellenger – Johnston, 2003*). This can be because the new technology is not accepted by the users, or another reason can be that the organizational culture and structure is not appropriate (for example the lack of customer orientation, or the lack of the harmony of the companies' functional areas). To use the CRM technology successfully the employees of the company – especially those working at the customer care, but also all the employees of the company – should consider the relationship with the customers as a value, and their goal should not only be the single transaction but the long-term relationship (*O'Malley – Mitussis, 2002*). Therefore, the use of the CRM technology requires organizational changes as well. It is not enough to speak about technological transformation, but we also have to consider the changes necessary at the organizational and the individual levels and changes in the corporate identity. Under such circumstances, besides accepting the new values, the employees have to find their places and their role in the new working system. While introducing the relationship marketing conception and the CRM, one of the companies' most important tasks is to handle and supervise the structural changes. Since, if they are not adequate, they can not only be extremely expensive, but can also damage the external and internal judgment of the organization. The necessary level of changes depends on how far the company is by mastering the customer orientation. The importance of change management is outstanding if a transaction oriented company wants to introduce CRM technology because the successful usage of the installed solutions needs customer orientation. By these companies the reorganization of the principles and processes is un-

avoidable (Ryals – Knox, 2001). Relationship oriented companies need less reorganization but they also need changes of great importance. The most important task of these companies is to integrate the CRM technology into the existing working processes. The tasks of the customer relationship management have to match the everyday activities. The technological infrastructure has to be linked to the new elements and the customer and supplier interactions should be managed through the CRM system.

RESEARCH APPROACH

The objective of the research. In our research we are mapping the prevalence of the relationship orientation and customer relationship management in particular. Customer relationship management – according to the literature – plays a great role in achieving long-term objectives. Therefore, it is important to examine the spreading of this phenomenon among Hungarian companies. Our research was not limited to examining the formal CRM system. We were trying to investigate the effect of the different appearances of the relationship management

concept. In spite of the fact that in this article most of our findings are concerned with the effect of relationship orientation, and with some not so formalized types or methods of customer relationship management, we believe that our results can help to understand the influence of CRM on buyer-supplier relationship. In the research a self-administered structured questionnaire first developed by Brodie *et. al.* (1997) was modified and used to investigate the marketing and purchasing orientation of Hungarian companies (sample of 201). The data collection was carried out from October 2005 to February 2006, and the data analysis is still ongoing, so we are summarizing our first findings in this paper.

First findings. The general data of the responding companies show that less than quarter of the companies were established within the last 5 years, and half of the respondents were employed by a company which is more than 10 years old. 80% percent of the companies involved are small- and medium sized enterprises and only the rest of the answers come from big national or multinational companies.

Table 1

The aim of the organization's marketing activities (scale: 1 to 5)

Marketing activities are intended to	Mean	Std. Deviation
attract new customers	3.98	1.199
retain existing customers	4.36	0.890
develop cooperative relationships with customers	3.51	1.255
coordinate activities between customers and other parties in the wider marketing system	2.93	1.389

Examining the aims of the marketing practices of the companies our results show that attracting new customers is still a great objective of the Hungarian companies, more than two-thirds of the respondents answered this way. Another, seemingly contradictory objective is to

retain existing customers. 85% of the respondents say that marketing activities are oriented to keep the clientele. This result supports that many Hungarian companies feel the necessity of customer orientation to keep the competitive position of the organization.

Table 2**The focus of the marketing planning (scale: 1 to 5)**

The marketing planning is focused to issues related to	Mean	Std. Deviation
the product/service offered	4.37	0.955
customers in the market	3.98	1.129
specific customers in the market	3.55	1.287
the network of relationships in the wider marketing system	2.88	1.332

Since many answerers (85%) said to have the product or service of the company in the focus of the marketing planning activities we can state that despite the importance of the customer relationships described in the literature we found that most of the companies have not been adopting the customer focus. Although the answer 'specific customers in the market' has reached only the 3rd

highest mean, this is a promising result of our research. Nearly 60% of the answerers said that the organization's marketing planning is always or frequently focused to issues related to specific customers in the market. This result suggests that these companies not only segmenting the market but they are dealing with small, specific groups of customers or even with individual customers.

Table 3**The organization's contact with its customers (scale: 1 to 5)**

The organization's contact with its customers	Mean	Std. Deviation
impersonal	2.04	1.386
somewhat personalized	2.84	1.294
interactive via technology	2.95	1.312
interpersonal	3.70	1.276
interorganizational within a network	2.98	1.270

The answers to the question about the organization's contact with its customers support the results of Table 2. The new personalization and customization methods and the ICT technologies are rarely used by the Hungarian companies. Despite the suggestions of the literature, one third of the organizations are still using the interpersonal communication and personal meetings as the one and only tool which is the most expensive method of contacting the customers. Table 4 shows that interpersonal meetings at both formal and informal levels are the most common among Hungarian companies. These

meetings can be useful if the parties are new partners or they are facing hard decisions. But to be used frequently, interpersonal meetings are not the most effective methods of handling a relationship.

If we look at the tables above we can see that the results of the standard deviation are high which mean that these marketing practices are used differently. Our research shows that transaction and relationship oriented companies are both common in Hungary, so the paradigm shift described in the literature has not been accomplished yet.

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